GOOD GOVERNANCE.
A SOUND APPROACH.

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British Columbia Investment Management Corporation

bcimc

MISSION STATEMENT

Accountable to our clients, to provide professional fund management for all asset classes, exercising the highest standards of prudence and fiduciary responsibility, while returning to the client the highest return for a given level of risk, at a reasonable cost.

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CORPORATE PROFILE

The British Columbia Investment Management Corporation (bcIMC) is a Canadian leader in investment funds management. Assets under administration total $59.8 billion across 8 asset classes, 40 pooled portfolios and several segregated portfolios.

Assets Under Administration at March 31, 2002

	$ billions	%
Fixed-Income	27.2	45.4
Bonds	20.8	34.7
Short term	4.7	7.9
Mortgages	1.7	2.8
Equities	28.2	47.1
Canadian	11.9	19.9
International	8.1	13.5
U.S.	6.6	11.0
Private placements	1.6	2.7
Real Estate	4.4	7.5
	59.8	100.0

Our investment activities finance the retirement benefits of more than 353,000 British Columbians, including provincial public servants and crown agency employees, university and college faculty and staff, school teachers and administrative staff, municipal employees, and Members of the Legislative Assembly. More specifically, our team of experienced professionals focuses on adding long-term value to the invested assets of:

Gary Johnson
Trustee of Municipal Pension Board

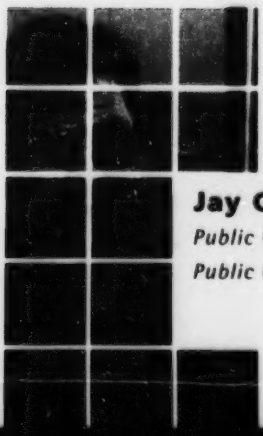
- The 10 pension plans for British Columbia's colleges, municipalities, public service and teachers; staff and faculty at the University of Victoria; the Workers' Compensation Board, BC Rail, B.C. Hydro and Power Authority, and Members of the Legislative Assembly.
- Workers' Compensation Board Accident Fund.
- 27 publicly administered trust funds.
- B.C. government and crown corporations (sinking and operating funds).

Assets Under Administration by Client at March 31, 2002

	$ billions	%
Pension Plans	42.7	71.3
WCB Accident Fund	7.9	13.3
Sinking Funds	5.7	9.5
Provincial Government	2.0	3.4
Public Trusts	0.9	1.5
Government Bodies	0.6	1.0
	59.8	100.0

OUR WEB SITE

Extensive background on the Corporation is posted on our web site at www.bcimc.com, including our strategies and business priorities (the *Service Plan*) for 2002 to 2005, year-end invested assets, and our *Corporate Governance* and *Proxy Voting Guidelines*.



Jay Chalke
Public Guardian and Trustee
Public Guardian and Trustee of B.C.

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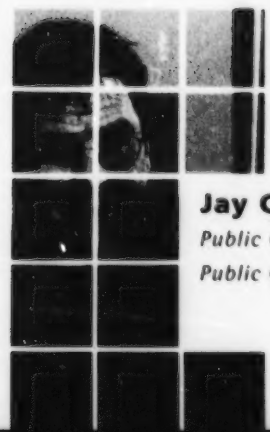

Jay Chalke
Public Guardian and Trustee
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HIGHLIGHTS

Annualized Rates of Return on Pension Plan Assets

	1 Year	5 Year	10 Year
Total portfolio	4.0%	8.7%	9.9%
Benchmarks	4.0%	8.6%	9.9%
Actuarial Target[1]	5.4%	5.4%	5.2%

[1] CPI + 3.5%

- Underwrote a record $640 million in new mortgage funding
- Completed 10 real estate acquisitions and 10 development projects, with 11 more projects under development
- Undertook a comprehensive, enterprise-wide identification and evaluation of operational risk
- Began voting proxies for all U.S. equities. We now vote proxies for all North American holdings
- Reduced costs by internal staff assuming management of $1.7 billion in two foreign equity indexed funds. Future savings estimated at $800,000 per year by undertaking these mandate changes
- Redeveloped internet site and expanded disclosure of investments, publications, (such as our *Corporate Governance and Proxy Voting Guidelines*), and our corporate governance structure
- Implemented a more equitable user-pay fee system

Jacquie Kendall

Trustee of Teachers' Pension Board

HIGHLIGHTS

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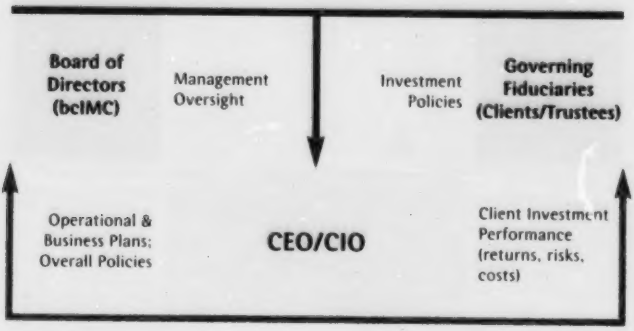
Jacquie Kendall
Trustee of Teachers' Pension Board

MESSAGE FROM THE CHAIR

The British Columbia Investment Management Corporation's governance model is designed to facilitate stakeholder involvement and to increase accountability to clients. The Corporation has its own board of directors and the governing fiduciaries of client pension and trust funds have oversight of investment activities. As a result, approximately 100 individuals participate in our governance as either members of the bcIMC board of directors or as governing fiduciaries.

The seven-member board of directors provides direct corporate oversight of bcIMC management. The directors approve the corporation's annual business plan and budget, as well as service fees and staff compensation policies. They ensure appropriate enterprise-wide risk management controls are in place and monitor the adequacy of client service levels. The bcIMC board reviews and approves the investment policy for each pooled investment portfolio - although the directors are prohibited by legislation from getting involved in the investment decisions of these portfolios.

I am proud to report that during the past two years the directors have come together as



Dale Lauber

Trustee of Teachers' Pension Board

a cohesive and effective governing body. We are committed to operating bcIMC to the highest standards in delivering professional investment services to public sector entities.

The directors apply a wide spectrum of expertise in fulfilling their fiduciary obligations to the Corporation on behalf of the public sector funds. Essentially, they make sure bcIMC has the resources, processes, incentives and tools to serve its clients. An example of how the board works for the best interests of all clients was the unanimous decision in 2001 to implement a more equitable fee system that, being based on the user-pay principle, increased costs for larger funds to the benefit of smaller plans.

The governing fiduciaries of our client portfolios also play a major role in bcIMC's oversight model as they are ultimately responsible for ensuring the fund's assets are invested in a prudent and appropriate manner. They approve their own investment objectives and performance targets, eligible investments, portfolio diversification, and asset allocation - all in close consultation with bcIMC's team of investment professionals.

bcIMC's evolution since late 1999 is paralleled by a similar structural change by our largest clients, the statutory pension plans. In adopting a joint trustee governance model, the management of pension assets has become a shared responsibility between employers and beneficiaries. This has resulted in new duties and responsibilities for the pension boards. The trustees have organized committees that deal with investing, benefits, communications, auditing, and trustee orientation and education. By delegating responsibilities to dedicated committees, the governance inter-relationship between trustee pension boards and bcIMC is focused and thorough.

Linda Watson

Trustee of Teachers' Pension Board

The layering of client and trustee governance on bcIMC's corporate governance has created a strong and purposeful dual accountability framework. Of central importance is bcIMC's chief investment officer who, by legislation, also serves as bcIMC's chief executive officer. As CEO, Doug Pearce is accountable to the bcIMC board for the management of the corporation. As CIO, he is accountable to the governing fiduciaries for their fund's performance.

As a result of this dual accountability, management must comply with policies for best practices established by both the bcIMC board and the trustee boards. It not only reports on any non-compliance with approved policies at every bcIMC board meeting but also at every trustee board meeting.

Transparency and open communications are elements of best governance practices. As part of our commitment, we post on the web site the corporation's investment performance, investment holdings, and *Service Plan* that sets out operating priorities and challenges in coming years. We also provide clients with customized quarterly investment reports and have introduced a password-controlled extranet that can provide clients with instant access to their investment reports and related information.

We continuously search for ways to improve governance effectiveness. In fiscal 2002, for example, a leading audit firm reviewed the entire investment accounting process and further enhancements to risk management controls are being implemented. We also undertook an enterprise-wide evaluation and assessment of operational risk. As a result, risk management processes have improved and operational efficiencies have been achieved.

An initiative to be implemented in fiscal 2003 is a process for board self-assess-

John Cook
Chair, Pension Board

ment. It is important that we evaluate critically how we perform as a board in the best interests of all stakeholders. A start was made on this initiative last year through a board retreat facilitated by a governance specialist.

There is more we can do to familiarize participating clients with the intricacies of investing in equities, fixed-income securities, real estate and other financial products. bcIMC will be introducing a new trustee orientation program offering intensive individual training on investing, as well as legal and fiduciary issues. It is from these trustees that many future bcIMC directors will be selected. The sessions will be tailored to the knowledge level of each trustee and are part of our commitment to continuing education so that over a period of two or three years all trustees have the opportunity to enhance their investment knowledge.

Acknowledgements

Special thanks to Bonnie Pearson for her dedication in serving as a bcIMC director for the past two years, and welcome to Paul Martin, a staff representative of the B.C. Government and Service Employees' Union, who joins us as a director.

We also thank CEO/CIO Doug Pearce and his staff for their hard work and commitment to a sound investment approach that enabled them to perform well against external benchmarks during a challenging year in capital markets.

Finally, I thank my colleagues on the board for their diligence during the year in striving to develop and operate bcIMC to the highest governance standards necessary for it to perform as an industry leader.

Chris Trumpy
Chair

Lyn Vandermey
Trustee of Municipal Pension Board

THE BOARD OF DIRECTORS

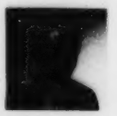
Four directors are appointed by the trustees of statutory pension plans and two by the Minister of Finance to represent other clients. As at March 31, 2002, the seventh director was the Deputy Minister of Finance, who was designated Chair. Subsequent to year end, the *Public Service Pension Plans Act* was amended to allow the Minister of Finance to appoint the seventh director, who is designated Chair.

CHAIR
Chris Trumpy
Deputy Minister of the Ministry of Provincial Revenue,[1]
Appointed by Minister of Finance

Joan Axford[2]
Secretary-Treasurer, School District No. 63 (Saanich),
Appointed by Teachers' Pension Board of Trustees

Michael Costello
Director, President and Chief Operating Officer of B.C. Hydro and Power Authority,
Appointed by Minister of Finance

Sid Fattedad[2]
Vice President, Finance and Information Services and Chief Financial Officer of Workers' Compensation Board of BC,
Appointed by Minister of Finance



Bruce Kennedy
Executive Director, Pensions, Public Sector Employers' Council Secretariat,
Appointed by College Pension Board of Trustees

Paul Martin
Social policy researcher with BC Government and Service Employees' Union,
Appointed by Public Service Pension Board of Trustees

Ed Pakos
Captain, Victoria Fire Department,
Appointed by Municipal Pension Board of Trustees

Chris Trumpy was Deputy Minister of Finance at March 31, 2002.
These directors, along with Roger Clarke, are members of bcIMC's audit committee. Appointed by the audit committee, Mr. Clarke's skills and experience benefit the committee in carrying out its mandate. The audit committee oversee's the Corporation's audit processes, financial and risk management controls and financial reporting.

Bryan Crossfield
Trustee of Municipal Pension Board

REPORT BY THE CHIEF EXECUTIVE OFFICER/CHIEF INVESTMENT OFFICER

Performance

Facing volatile capital markets for the fiscal year ended March 31, 2002, we were pleased to meet the performance benchmarks established by our clients. The consolidated annual return on pension plan assets under our management was 4.0 percent, which compared well with other institutional investors with a similar mix of assets.

As at March 31, 2002, our 5-year annualized return of 8.7% exceeded the benchmark that aggregates the performance of markets and asset classes in which we invest. Our 10-year annualized return was 9.9 percent and matched the benchmark.

Anticipating weaker equity markets, we adopted several defensive measures last year. One was to diversify further into value style equity mandates across all regions. Another involved the realignment of our portfolios to reduce exposure to technology and telecommunications companies. A third was an expansion into fixed income securities such as mortgages, where we underwrote a record level of product. We also enlarged our real estate holdings to ensure the continued reliable generation of substantial cash flow.

We produce financial benefits for our clients by finding effective and efficient ways to deliver investment services. Despite the size of assets under management, bcIMC is a lean organization with 90 employees at the end of fiscal 2002. These employees possess all the experience and skills a client would

Louise Mercer
Trustee of Municipal Pension Board

expect of a successful investment management company operating in a competitive global environment.

One of our performance goals is to maintain a cost structure at or below the average for our peer group of public sector pension funds. A recent survey by an independent consultant for the year ending December 31, 2000 concluded that: "Benchmark cost analysis suggests that overall, your fund (bcIMC) is normal cost relative to the average Canadian fund of similar size and asset mix whereas the analysis of your investment implementation and line-item costs (asset class, approach and structure) suggest that your fund is very low cost."

In fiscal 2002, staff assumed the management of $1.7 billion of international and European indexed funds previously managed externally. This transition will contribute to our long-term cost containment goal by saving an estimated $800,000 annually in expenses.

Investor Confidence

We believe that good corporate governance helps to enhance long-term shareholder value for the benefit of hundreds of thousands of British Columbians who depend on our investment performance for the security of their retirement income. Responsible corporate governance will be important to future performance during what we see as a prolonged period of modest market returns. Consequently, we will continue to be vigilant in asserting the corporate ownership rights of our clients to produce financial benefits.

In the past several years, investor confidence in capital markets has been shaken by a series of occurrences. The first major shock was the Asian eco-

Sharon Saunders
Trustee of Municipal Pension Board

nomic crisis in 1997 that questioned the commitment of certain countries to operating open, efficient and honest markets. In the fall of 2000, when equity markets reached a cyclical peak, the technology stock bubble burst, driving into obscurity hundreds of companies. A year later, markets were jarred by the terrorist attacks of September 11. A month later came the deceits of the Enron debacle. That was followed by other examples of financial disclosure that raised profound doubts about the ethical standards of several large corporations and their advisors.

As the threat of economic recession in late 2001 and early 2002 faded, investor anxiety continued. Excessive executive compensation, and the widespread use of stock options as dilutive corporate currency, still persisted despite years of protest by institutional investors. Now we are seeing class action suits emerging against the directors and officers of prominent companies for misleading shareholders before the value of their shares collapsed.

All this raised questions about oversight effectiveness and the diligence of institutional investors who have discussed the adequacy of financial accounting, auditing and disclosure for many years. Clearly the time has come for more action and less discourse.

The lack of responsible corporate governance has evolved into a serious investment risk. Our clients expect us, as their investment advisors and portfolio managers, to mitigate such risk by asserting their corporate ownership rights and challenging boards and executives to adopt high governance standards. With over $28 billion invested in corporate equity and debt in Canada, the United States and overseas, and by working with

Ken Bayne

Trustee of Municipal Pension Board

like-minded investors, we can make a difference.

An example was our campaign to seek compensation for our stakeholders from YBM Magnex International Inc., a TSE 300 company that purportedly sold industrial magnets but instead laundered money for Russian organized crime. YBM's shareholders lost hundreds of millions of dollars when an FBI investigation into the fraud resulted in the company's demise. We felt it was important to hold YBM's directors, officers, auditors, lawyers and underwriters accountable. The several actions ended with a comprehensive court-approved settlement, resulting in the recovery of 25 to 30 cents on the dollar (and our legal costs), the first settlement of its kind in Canada.

Recent history shows that too many directors and executives do not act instinctively in the best interests of shareholders until a crisis occurs that dramatically reduces and sometimes destroys shareholder value. To manage this exposure, we are prepared to try to influence the affairs of the corporations in which we invest to aggressively defend our clients' assets. We also recognize that most companies are well managed to serve their shareholder interests and that most corporate advisors comply with their professional codes of proper conduct.

A Look Ahead

The sooner all the players in capital markets - from investors and regulators to corporate leaders and their agents - accept the importance of good corporate governance practices and comprehensive and honest disclosure, the sooner investor confidence will return. Given the chance, the market system has the ability to cleanse itself and establish a sounder platform. It would be simple to

Adam Charania

Trustee of Public Service Pension Board

apply more regulation to the market but an effective remedy will be greater vigilance by all market participants. Their efforts to bring about improvements in corporate activities will lead through ethical governance and accountable management to higher earnings and investment returns.

As markets recover from recent shocks and uncertainties, we do not expect a reversion to the double-digit rates of return experienced in the 1990s, when earnings were to a large extent artificial and driven by falling interest rates. They were certainly not sustainable. As more realistic expectations prevail, returns should be in the high single digits over the next several years.

Acknowledgements

We are fortunate to report to a board of directors, led by Chris Trumpy, that believes in high governance policies and principles, and tests management against best business practices. We also thank our clients for their confidence in our services and for the vigorous role they play in our governance.

Finally, we are proud of the team we have assembled at bcIMC, our sound approach and the long-term investment performance achieved to date.

Doug Pearce
Chief Executive Officer
Chief Investment Officer

Doug Hensby
Trustee of Public Service Pension Board

INVESTMENT PROCESS

In providing investment advice and developing and implementing investment strategies, bcIMC's staff have a fiduciary obligation to client funds. As such we must act prudently by exercising good judgment. This effort is an ongoing process rather than a specific result.

bcIMC's full-service investment process supports our fiduciary role to prudently preserve capital and manage risk because it is continuous, involving all areas of our organization. Client feedback on performance reports and policy compliance documents helps refine investment strategies so that we are better able to achieve each plan's investment objectives.

INVESTMENT OPERATION SERVICES

bcIMC's services go beyond those of a typical investment manager as we also function as our clients' investment operation staff. The investment operation services we provide augment our portfolio management services. They are intended to assist governing fiduciaries in fulfilling their duties and to eliminate the need for clients to hire third-party suppliers or establish portfolio management systems to manage their holdings.

Our investment operation teams specialize in trade management and compliance, policy and research, financial services and operations (including information technology, investment accounting and human resources), and legal services. A large portion of staff has professional accounting credentials and post-graduate degrees in business and economics.

Lisa Beaumont

Real Estate Administrator

Real Estate

Specifically, our investment operation services include:

CONSULTING	BACK OFFICE
Asset/liability analysis & advice	Securities settlement
Economic & market analysis	Investment accounting
Managing external managers	Policy compliance
Investment advice	Security lending
Performance measurement	Third party suppliers
Policy advice	Corporate governance

Our Consulting Services

We assist our clients in devising appropriate investment policies by providing objective investment advice and explaining financial issues and risks. They also receive regular and comprehensive assessments of market conditions, risks and investment performance.

During fiscal 2002, we implemented a new performance measurement and attribution system that will improve the analytical information in our performance reports so that trustees better understand the reasons for their fund's results.

As a general rule, our consulting services respond to specific issues and concerns raised by clients. For example, as a result of the change in the *Income Tax Act*, and the opportunity to increase foreign investments, we prepared a report on currency risk and hedging strategies. Future market returns was another issue our clients asked us to explore in fiscal 2002 as global capital markets continued to decline from the heady levels reached in the 1990s. In response, we prepared a research report that examines the debate over the equity risk premium and the

Don Wong

Senior Investment Accountant

Finance and Operations

potential implications it may pose for clients' asset allocation decisions. We supplement client knowledge and understanding of investment issues by conducting workshops or presentations so that they are better equipped to make informed decisions.

Setting Investment Policies and Asset Mix

Asset allocation is the most important decision made for a fund and asset mix is the primary determinant of risk and return. Empirical studies have found that asset mix explains more than 90 percent of the variation in returns between two funds.

The success of any asset mix strategy ultimately depends on future rates of return. As no one can forecast future returns with certainty, the purpose of our asset/liability modeling is to help governing fiduciaries assess the potential impact of alternative strategies on their fund so that they can make informed decisions.

The appropriate framework for a specific fund largely depends on the objectives, circumstances and risk tolerance of the fund's trustees. Some clients have short investment horizons and low risk tolerance. Others prefer a controlled asset/liability matching and want to avoid market risk. Pension plans generally have long investment horizons and actuarial smoothing mitigates the impact of market volatility on their portfolios. They may, therefore, be willing to accept a greater asset/liability mismatch to enhance long-term performance and reduce the costs to the plan sponsor.

In the end it falls to the governing fiduciaries to determine the appropriate level of risk, given the fund's circumstances and risk tolerance of the stakeholders. This process establishes a policy benchmark and framework for us to manage the fund. As a general rule, we encourage clients to revisit their asset allocation policies every three to

Chris Lawless
Chief Economist
Policy and Research

five years, although specific circumstances may warrant more frequent reviews.

We also implement a tactical asset allocation that responds to short-term market conditions to enhance returns or reduce market risk.

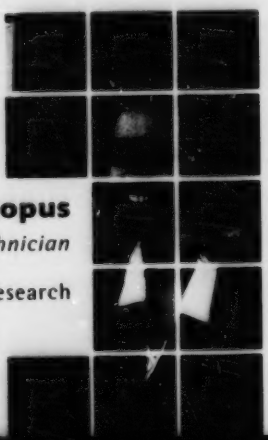
Managing Risks

In addition to managing market risk, we also guard against operational risks ranging from fraud, information technology security breaches and natural disasters to legal and regulatory violations and the potential loss from failed internal processes, people and systems.

To further complicate matters, risks are never static. As the environment changes, so do the risks that an investment firm faces whether through internal factors such as staff turnover or external factors like government regulation and competition.

Finally, risk is increasing as capital markets become more volatile and globalization increases the flow and speed of capital around the world. For example, in fiscal 2002, we processed more than 26,000 trade transactions worldwide.

These factors challenge our management skills and encourage us to have an effective risk management system that involves the entire organization. Risk management is embedded in our corporate culture and is considered to be everyone's job. It is even written into employee job descriptions and is a component of our employee compensation incentives program. In fiscal 2002, we undertook a corporate-wide self-assessment to identify and assess operational risk. We evaluated our ability to manage sources of risk that could impact the service we provide. Business continuation planning, adequacy of systems and resources, compliance monitoring, valuation methodology and staff training are a sample of the operational areas that



Rebecca Copus
Technician
Policy and Research

have come under scrutiny. We also expanded our compliance reporting to provide senior management with more detailed information for risk management assessment and streamlined trade operations to reduce manual processing.

While risk management skills and standards have generally been raised in North America in recent years, current events confirm that more needs to be done. In view of widespread concern among governments, regulators, investors and financial and legal professionals, the process of improving corporate governance and risk management practices on a global basis will intensify.

Corporate Governance

Research shows that good corporate governance improves investor returns and share values. It is, therefore, an important contributor to the performance of client portfolios. However, until recently, institutional investors were largely restricted in their ability to work with like-minded investors to force management to adopt governance practices that advance shareholder interests. Specifically, it was illegal for us to contact pension and mutual funds to develop a united strategy for proxy voting.

Revisions to the *Canada Business Corporations Act* in November 2001 gave investors new powers to insist on better treatment for shareholders. As a result, corporations will find it harder to prevent shareholder proposals from being raised and voted on at shareholder meetings. Shareholders can communicate more freely among themselves about their voting intentions. Should they launch formal proxy battles, they can promote their positions on internet sites as well as in newspaper, magazine, television and radio ads.

With fewer legal barriers to exercising the ownership authority entrusted to us by

Debbie Howell

Senior Manager, Information Technology

Finance and Operations

our clients, we now have greater ability to reform corporate governance so that the interests of management and boards of directors are better aligned with those of shareholders.

In readiness for a more vigorous advocacy role, we recently worked in partnership with our major clients to review and update our *Corporate Governance and Proxy Voting Guidelines* to reflect contemporary expectations. The guidelines are posted on our web site and state our position on issues as diverse as board independence, the appointment of auditors, management compensation, severance and stock options, take-over offers, and multiple voting rights.

Proxy Voting

We directly vote proxies for all North American holdings (approximately 500 Canadian and 1,000 U.S. companies) and support proposals that are likely to enhance shareholder value.

In fiscal 2002, we enhanced our proxy voting process in several ways, including voting electronically via internet. We contracted with an external research service to receive comprehensive proxy policy references, weekly updates on corporate governance issues and analysis on U.S. proxies. Our equity department also developed a comprehensive proxy voting database and established an internal reporting system that enables us to analyze proxy voting results.

As the accompanying tables show, we opposed most executive compensation plans, including the recent habit of companies re-pricing stock options so that executives avoid the consequences of share price declines. We opposed golden parachutes that gave departing executives excessive severance, as well as shareholder rights plans designed to flood the market with additional shares or impose other hurdles in the

Jeff Constantinescu
Assistant Portfolio Manager
Equity Investments

event of a hostile takeover bid. Hostile takeover bids, while not normally favoured by management, can be in the best interests of shareholders by releasing otherwise unrealized share value.

In the wake of numerous examples of financial reporting problems and alleged audit failures at Canadian and U.S. companies, we supported shareholder proposals to separate the audit and consulting functions provided by accounting firms. For example, we voted in favour of a Walt Disney Company policy that the company's independent accountants would only provide audit services to the company. Although 42 percent of Disney shareholders voted to adopt this policy, they did not succeed. However, this action highlighted investor concern about potential conflicts of interest for auditors that simultaneously provide other fee-based services. Companies will undoubtedly be more careful in delegating, and overseeing, duties to external service providers.

We supported two Canadian social responsibility resolutions requiring two retail chains to adopt international principles and worker rights with respect to "anti-sweatshop" concerns.

Canadian Proxy Votes in Fiscal 2002

Issue	Number	For	against
Election of Boards of Directors	347	97%	3%
Appointment of Auditors	307	98%	2%
Executive Compensation Plans	167	21%	79%
Takeover Protections	27	70%	30%
Shareholder Rights	130	42%	58%
Total	978	76%	24%

Margot Gunn
Portfolio Manager
Mortgages

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Canadian Proxy Votes in Fiscal 2002

Issue	Number	for	against
Election of Boards of Directors	347	97%	3%
Appointment of Auditors	307	98%	2%
Executive Compensation Plans	167	21%	79%
Takeover Protections	27	70%	30%
Shareholder Rights	130	42%	58%
Total	978	76%	24%

Margot Gunn
Portfolio Manager
Mortgages

U.S. Proxy Votes in Fiscal 2002
(bcIMC began exercising U.S. proxies in July 2001)

Issue	Number	for	against
Election of Boards of Directors	152	72%	28%
Appointment of Auditors	88	74%	26%
Executive Compensation Plans	95	17%	83%
Takeover Protections	0	0%	0%
Shareholder Rights	69	41%	59%
Total	404	54%	46%

In addition to proxy voting, we are prepared to influence the affairs of a corporation in which we invest through direct communications with management and directors to encourage sound governance measures. An example was our disapproval voiced in fiscal 2002 of Nortel Networks re-pricing its employee stock options after share value collapsed for existing shareholders.

INVESTMENT MANAGEMENT SERVICES

We have experienced asset management teams for bonds, mortgages, public equity, private placements, and real estate. These teams are led by seasoned professionals and consist of portfolio managers, traders, analysts and researchers with a wide range

Irv Marus
VP Equity Investments

U.S. Proxy Votes in Fiscal 2002
(bcIMC began exercising U.S. proxies in July 2001)

[redacted]	Number	[redacted]	
		[redacted]	against
Election of Boards of Directors	152	72%	28%
Appointment of Auditors	88	74%	26%
Executive Compensation Plans	95	17%	83%
Takeover Protections	0	0%	0%
Shareholder Rights	69	41%	59%
[redacted]	404	[redacted]	40%

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Irv Marus
VP Equity Investments

of training and career experiences that combine contemporary investment knowledge and practices with advanced computer skills. Most investment staff have, or are earning, accreditation as Chartered Financial Analysts in addition to other educational and professional qualifications.

Our investment management services include:

- Asset mix management
- Portfolio management
- Risk analysis and risk management
- Securities trading
- Credit review and analysis
- Cash management

Fixed Income Securities

We manage a full range of Canadian pooled portfolios that invest in federal, provincial and corporate bonds as well as cash-equivalent securities. We also manage real-return bonds on a segregated basis. All portfolios are actively managed with the exception of a small, passively managed government bond pool.

The benefits of having fixed income securities in a properly diversified fund were driven home in fiscal 2002. With stable income flow, they smoothed total fund performance by offsetting the volatility and uncertainty of equities.

Corporate securities are a growing part of our fixed income assets, and we anticipate offering clients a richer choice of new securities in future years such as debt that may be associated with infrastructure transactions. Infrastructure investments have the potential to offer opportunities to our pension fund clients not otherwise available.

In readiness for this important expansion of our pooled portfolios, we strengthened our fixed income team in fiscal 2002 with the addition of an investment professional to support the credit analysis of our corpo-

Brian Foran

Portfolio Manager, Direct Real Estate Investments

Real Estate

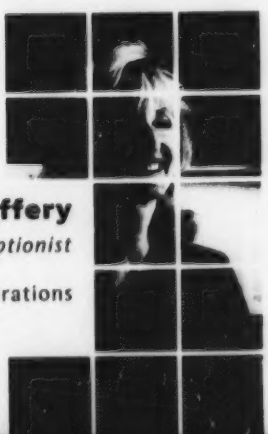
rate debt program. The increased volatility of all market sectors over the past year has reduced market liquidity. As debt is the first line of liquidity access for corporations, we reviewed our debt portfolio structures to ensure they include appropriate risk-return-liquidity constraints. Our fixed income portfolio managers' response to this liquidity concern is an inherent part of our ongoing portfolio risk management to assess the success ratio, or attribution, of all investment risks.

Mortgages

Commercial mortgage investments are favoured by most pension funds because they produce a premium over similar-term government bonds, though at greater credit risk and reduced liquidity. Mortgages provide stable and predictable cash flows.

Despite the recent economic slowdown, our mortgage portfolios delivered strong returns and capital stability to participating funds. Over the past fiscal year, institutional lenders were willing to pay a premium for quality, risk-averse mortgages. Our clients benefited from this trend due to our emphasis on acquiring high quality mortgages. We also looked for creative ways to enhance investment yields in a low interest rate environment by implementing interest rate floors and charging borrowers higher fees. Even though fiscal 2002 represented many challenges, the mortgage department underwrote $640 million in new mortgage fundings.

Our staff actively manage three mortgage pooled portfolios with broad diversity by loan type, geography and product type. Each portfolio responds to the specific liquidity, duration and risk/return profiles of our clients. Mortgage assets include both fixed-term loans and construction loans on commercial and multi-family residential properties. The mortgages typically mature within one to 10 years



Lisa Jeffery
Receptionist
Finance and Operations

and are evenly divided between Western and Eastern Canada.

We mitigate mortgage investment risk through detailed underwriting, credit and financial analysis of all borrowers, guarantors and major tenants to ensure cash flows are reliable. This rigorous scrutiny also includes the review of arm's length appraisals, leases, legal documents, environmental and engineering reports. All funding proposals by portfolio managers require senior management review. This screening and transaction management process helps protect the quality and performance of our mortgage portfolio, which contained approximately 200 loans at year end. Only two mortgages defaulted and no principal or interest loss is anticipated in the long-run.

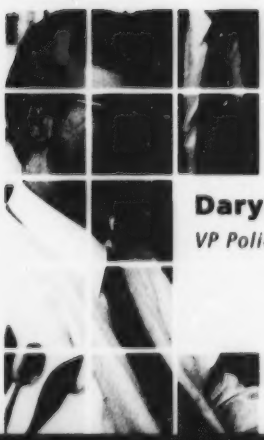
Our ongoing risk management focus prompted us to undertake a variety of mortgage investment risk projects over the past year. We created a mortgage risk rating system and risk rated all fixed term mortgages. We also purchased a new mortgage system to manage loan data and monitor the security of our mortgage investments.

Public Equities

Equity investing offers higher long-term return potential than fixed income securities to compensate for higher risk and short-term price volatility. We offer clients a full choice of equity products in 10 pooled portfolios and will introduce other products in step with client performance and risk management expectations.

We continue to develop staff expertise with a view to supplement our internally managed core portfolio of indexed funds with enhanced index funds. In fiscal 2002, we expanded our equity team to 12 with the addition of two assistant portfolio managers and one trader.

During the year, we wound



Daryl Jones
VP Policy and Research

up two Canadian indexed funds that were no longer required. One portfolio excluded stocks that represented more than 10 percent of the TSE composite index. With the collapse in the value of Nortel shares, this portfolio became redundant. The other portfolio formerly mirrored the TSE 100 Index and was considered unnecessary as a high-liquidity portfolio. We continue to manage one Canadian indexed equity portfolio that mirrors the TSE composite index and provides broad participation in domestic companies.

Our active Canadian equity portfolio is externally managed with the goal of adding value above the returns produced by indexed funds.

The Canadian public equity market is only two percent of the global equity opportunity and continues to shrink. In the past year, several large Canadian corporations were purchased by foreign companies and disappeared from Canadian exchanges. Global equities are, therefore, important to our overall equity portfolio. By investing in different global markets we have a broader group of companies in which to invest. We maintain a network of specialists knowledgeable about every major market in the world. Eight external managers are in Canada and 12 are located in London, Dublin, Amsterdam, New York, Boston, San Francisco, Tokyo and Hong Kong. Over time, the value added produced by external managers generally exceeds the extra costs incurred.

We invest in U.S. equities to take advantage of the world's largest and most diverse capital market. Two U.S. indexed funds are managed internally. One replicates the Standard & Poor's 500 index of large American companies, and the other is a value indexed fund introduced in fiscal 2001. External specialists manage an enhanced

Bob Kennedy
Portfolio Manager
Private Placements

index fund and an active equity portfolio.

Our expanding equity management expertise enabled us to bring two foreign equity indexed portfolios, valued at $1.7 billion, in house in the fourth quarter of fiscal 2002. One is the international equity indexed fund that replicates the risk and return characteristics of the EAFE index of about 1,100 companies in Europe, Australasia and the Far East. It is combined with our external actively managed international funds to create our EAFE Fund that provides excellent worldwide diversification and value-added benefits. The second fund brought in house matches the risk and return characteristics of the European index of about 550 companies, primarily in the Eurozone and the United Kingdom. When combined with active portfolios managed by external European equity managers, it forms the European Fund.

Our third international portfolio, the Asian Fund, is managed solely by external professionals with expertise in Japan and other Asia-Pacific equity markets. The use of active managers in this portfolio reflects our desire to benefit from opportunities created by market inefficiencies in the Asian equity markets.

Private Placements

Private placements are privately negotiated, long-term investments in private and public companies. The investee companies require capital for various purposes including start-up, expansion and development, restructuring and acquisitions.

Private placements have historically outperformed public equity and fixed-income securities. Additionally, this asset class diversifies investment risk. However, private placement investing requires patience; it generally produces low or negative returns in the

Barb Bowie

Trade Settlement Coordinator

Trade Management and Compliance

early years since this typically is a period of investment where capital is deployed and the fund is incurring expenses. High returns are earned later on as investments mature. Significant due diligence, negotiation and active involvement is required compared with public equities. In addition, considerable effort is required in order to divest as the investments tend to be relatively illiquid.

Currently our pension plans commit 5 to 6 percent of total assets to this asset class. We invest in private placements primarily through limited partnerships managed by external firms although we also co-invest on a select basis in Canada. Private equity investing requires in-depth knowledge of specific economic sectors, industries, products and firms in Canada and around the world. We access this expertise through strategic relationships with approximately 50 investment firms that manage 85 private equity limited partnerships. This approach ensures broad diversification across markets, sectors and fund managers. We buy units in these partnerships alongside like-minded investors.

Our pension plan clients acknowledge the opportunity with private placements to foster entrepreneurship and economic growth in Canada, while earning strong returns. We work closely with approximately 20 domestic private placement firms in support of local enterprise and commercial innovation. Today, approximately 27 percent of our private equity investment is in Canada.

Geographic Distribution of Private Equity

Vivian Lai
Assistant Portfolio Manager
Real Estate

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Geographic Distribution of Private Equity

Vivian Lai
Assistant Portfolio Manager
Real Estate

Private equity markets suffered alongside weak public markets in fiscal 2002. New investment activity slowed in this environment, and as a result, we invested in only five externally managed funds, compared with 12 to 15 funds annually in most recent years.

In the late 1990s many early stage private equity investments produced spectacular returns in a short period of time. In view of recent economic uncertainty and investor nervousness about the market outlook, we now expect returns to materialize over much longer periods. Venture capital valuations were sharply lower last year, offering the prospect of better-priced opportunities for uninvested capital. As a large and experienced private equity investor, bcIMC can afford to be patient in selecting the most attractive long-term investments.

Real Estate

Real estate is a hybrid investment in that it contains both a fixed income component, in the form of contractual rents, and an equity component, the capital gain potential of the land and buildings. Historically, real estate has generated relatively attractive and stable total returns. It is also a partial hedge against inflation and a great diversifier when included in a portfolio of stocks and bonds.

bcIMC began investing in high-grade Canadian real estate in 1990 and introduced its first real estate pooled fund, Realpool, in 1991. Today, we manage $5.3 billion in Realpool containing equity interests primarily in Canadian office buildings and apartments, with significant holdings of industrial, retail and mixed-use properties. Our international real estate exposure is primarily achieved through participation in two regional foreign funds and one global real estate fund.

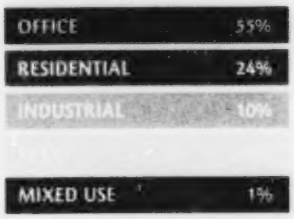
An overseas opportunity provided through these funds in 2001/2002 was investment in

Mike Medland
Senior Investment Accountant
Finance and Operations

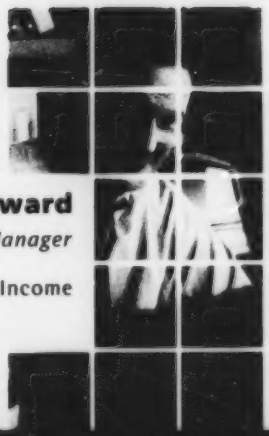
the construction of condominiums in China. Other foreign investments in fiscal 2002 included a direct interest in 840 low-rise apartments on a 55-acre site in St. Louis, Missouri.

Real estate represents as much as 10 percent of total assets in some pension funds. However, like any asset class, real estate investing has risks. The weak economy last year led to business failures, decreased production and suspended expansion plans which softened demand for office and industrial space. Lingering economic uncertainty also increased the risk of rental arrears and tenant bankruptcy. To offset these risks and stabilize returns, we assumed a defensive position by extending the average lease term of the fund, seeking tenants of higher creditworthiness, and building a high-grade apartment portfolio.

Real Estate Assets by Property Type



In fiscal 2002 we completed 10 acquisitions, four dispositions and 10 development projects in Canada. The developments included a high-rise apartment building in Vancouver and an office tower at the World Exchange Plaza in Ottawa. Another 11 projects are under development, including Canadian head office buildings for Microsoft and Sun Micro Systems.



Justin Aylward
Portfolio Manager
Fixed Income

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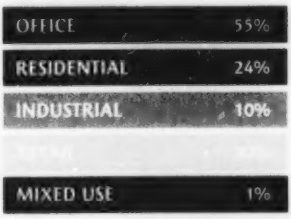

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Justin Aylward
Portfolio Manager
Fixed Income

INVESTMENT PERFORMANCE

Overview of Capital Markets

Major stock markets were highly volatile in fiscal 2002, buffeted by uncertainties about the resilience of the North American economy after the booming 1990s. The uncertainty was magnified after the terrorist attacks on New York City and the Pentagon on September 11. While the markets subsequently recovered, they continued to be highly volatile as investors worried about the risk of economic recession, excess inventories in the technology and manufacturing sectors, deteriorating corporate profits, and the unreliability of previously disclosed corporate financial information in the wake of the Enron crisis. In this troubled environment, many companies delayed or postponed capital expenditures and cut costs in anticipation of tougher times ahead.

On the positive side, interest rates continued to decline during the year, reaching their lowest levels in 40 years, and inflation remained benign, despite higher oil prices late in our fiscal year as a result of the Middle East crisis and disruptions in supply from Venezuela. Consumer spending was surprisingly buoyant, producing the highest Christmas retail sales in many years, and the demand for automobiles, new housing and related household goods was strong in Canada and the United States, though less robust in Europe.

In this environment, clients holding fixed-income securities generally did better than investors in equities for the second consecutive year, and did so with less anxiety.

Technology stocks once again took the breath out of the market. Their valuations continued to deteriorate in the face of declining revenue, largely brought about by decreased demand in response to excessive corporate investment in hardware and software in prior

Rachael Sexton

Portfolio Administration Assistant

Private Placements

years. Absorbing this over-investment may take only another year or so in North America, especially as IT products have rapid depreciation. It may, however, take many years for broadband overcapacity in the telecommunications sector to disappear.

Performance Versus Benchmarks

We measure the performance of each pooled portfolio against appropriate market benchmarks as well as against the actuarial requirement for funding each client's pension plan liabilities. The performance against benchmarks is tabulated in the extended table entitled Pooled Fund Annualized Returns.

Benchmarks are intended to represent the performance of markets or asset classes in which we invest. As such, they indicate whether the portfolio added or lost value relative to the market. However, they are not a definitive measure. One client may assume more risk in an asset class or market in the expectation of higher returns. Another investor may invest more cautiously in the same market or asset class with the goal of reducing volatility and achieving more stable returns.

We provide clients with detailed performance reports, measured against their asset mix policy and investment expectations. Benchmark calculations are consistent with the standards established by the Association of Investment Management and Research.

Overall Investment Performance

Our bond portfolios outperformed their benchmarks in fiscal 2002 and on a five-year basis while our short term pooled funds exceeded their performance benchmarks over one, five and ten-year periods. The mortgage portfolios and sinking funds generally underperformed relative to one-year benchmark returns but the mortgage pooled funds outperformed on a five-year basis.

Jennifer Herberholz
Human Resource Technician
Finance and Operations

Our Canadian equity portfolios did better than the market, especially the active Canadian fund, which earned 10.3 percent versus 5.2 percent for the benchmark. On a five-year basis, our Canadian equity funds have significantly outperformed their market benchmarks.

Our U.S. indexed equity portfolios essentially matched the market performance although our actively managed U.S. fund did exceptionally well. Our European fund was close to market performance, while our Asian fund did quite well at preserving capital in difficult markets, earning minus 4.9 percent compared with a 14.8 percent decline in the benchmark. The broadly based EAFE fund also outperformed its benchmark at minus 4.8 percent compared with minus 7.3 percent for the benchmark.

Our real estate portfolio had a good year, producing a 7.4 percent rate of return, compared with 5.9 percent for its benchmark. Development projects are not acknowledged in the benchmark and should positively influence future returns.

Jennifer Jonker
Data Entry Clerk
Trade Management & Compliance

OUR TEAM

Doug Pearce,
Chief Executive Officer
Chief Investment Officer
Jackie Beehler

Equity Investments
Irv Marus,
Vice President
Sheri Bryce
Jeff Constantinescu
Mike Harvey
Geoff Keith
Marcy King
Yilei Liang
Patrick Reddy
Mary Spurr
Bryan Thomson
Charles Volkovskis

Fixed Income
Dave Thom,
Vice President
Justin Aylward
Steve Barr
Chris Beauchemin
Peter McCrodan
Randy Storey

Private Placements
Randall Mullan,
Vice President
Larisa Anderson
Kelly Chaplin
Richard Dinneny
Bob Kennedy
Laura Legg
Rachel Sexton

Real Estate
Chuck Swanson,
Vice President
Lisa Beaumont
Owen Fisher
Brian Foran
Vivian Lai
Chris Lee
Pip White

Mortgages
Dean Atkins,
Vice President
Carol Aston
Margot Gunn
Kevin Weir

Policy and Research
Daryl Jones,
Vice President
Millie Chow
Rebecca Copus
Karen Gauvin
Lynn Hannah
Wael Helal
Chris Lawless
Marj MacKenzie
Philippe Monier
Richard Parrish

Trade Management & Compliance
Kim Thornber,
Vice President
Debbie Atkins
Vicki Aune
Barb Bowie
Lea Cyr
Kathryn Ford
Marlene Gurney
Mark Hoadley
Jennifer Jonker
Shauna Lukaitis
Connie McInnis
Michelle Menard
Angela Miller

Finance & Operations
Neil Muth,
Vice President
Dan Bailer
Karen Blakely
Monique Brosseau
John Caiger
Henry Choy
John de Boer
Donna Desautels
Brian Dunn
Susan Enefer
David Eng
Janet Fraser
Keith Harris
Jennifer Herberholz
Debbie Howell
Carol Iverson
Lisa Jeffery
Matthew Kaeshammer
David Kayal
Thomas Lim
Mike Medland
Gina Pala
Marshall Petrie
Cari Taylor
Lindsay Vernon
Fred Willows
Don Wong

Corporate Secretary:
Rita C. Andreone,
Lawson Lundell

Custodian:
RBC Global Services

Auditor:
Auditor General
of British Columbia

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Pooled Fund Annualized Returns (C$)

Periods Ending March 31, 2002

		10 Year	5 Year	1 Year	Assets Under Administration
SHORT TERM					$4,717,502,602
	Short Term Fund 1	**5.1**	**4.6**	**3.4**	
	SCI 30 Day T-Bill	4.8	4.3	3.4	
	Short Term Fund 2	**5.4**	**4.8**	**3.9**	
	SCI 91 Day T-Bill	5.2	4.5	3.7	
	Short Term US Fund 3	**8.1**	**8.4**	**4.3**	
	Salomon Smith Barney 3 Month T-Bill	7.4	7.5	4.1	
	Short Term Bond Fund		**6.1**	**5.9**	
	SCI Short Term Government Bond		6.0	5.6	
MORTAGES					$1,656,031,834
	Fixed Term Mortgage Fund		**7.9**	**6.3**	
	SCI Short Term Bond + 1%		7.1	6.8	
	Construction Mortgage Fund		**7.2**	**5.6**	
	SCI 1 Year T-Bill + 1%		5.9	5.7	
	Specialty Mortgage Fund			**9.1**	
	SCI 1 Year T-Bill + 2.5%			7.3	
BONDS					$15,531,660,366
	Indexed Government Bond Fund		**7.0**	**4.8**	
	SCI Government Bond		6.9	4.7	
	Pension Bond Fund		**7.0**	**5.0**	
	SCI Government Bond		6.9	4.7	
	Long Term Bond Fund			**4.0**	
	SCI Long Term Government Bond			3.7	
	Corporate Bond Fund	**9.5**	**7.3**	**6.6**	
	SCI Corporate Bond	9.6	7.3	6.3	
SINKING FUNDS					$5,272,521,003
	BC Hydro Sinking Fund	**8.6**	**6.8**	**5.3**	
	BC Hydro Sinking Fund Benchmark		6.3	5.3	
	BC Direct Sinking Fund		**7.3**	**5.0**	
	BC Direct Sinking Fund Benchmark		7.3	5.2	
	BCBC Sinking Fund		**7.5**	**4.9**	
	BCBC Sinking Fund Benchmark		7.6	5.3	
	Schools Sinking Fund		**8.0**	**5.0**	
	Schools Sinking Fund Benchmark		8.1	5.2	
	Education Sinking Fund		**7.4**	**5.2**	
	Education Sinking Fund Benchmark		7.3	5.3	
STOCKS					$28,168,651,032
	Indexed TSE 300 Fund	**10.7**	**8.2**	**5.4**	
	TSE 300	10.9	7.7	4.9	
	Active Canadian Fund	**12.3**	**10.3**	**10.3**	
	TSE 300 Capped	11.4	8.7	5.2	
	Indexed S&P 500 Fund		**13.6**	**1.3**	
	S&P 500		13.4	1.4	
	S&P500 Value Fund			**(3.2)**	
	S&P/Barra Value			(3.2)	
	Index Enhanced US Fund			**(0.7)**	
	Russell 1000			2.1	
	Active US Fund		**13.6**	**5.3**	
	Russell 1000		13.5	2.1	
	European Fund			**(4.5)**	
	MSCI Europe Net			(4.4)	
	EAFE Fund			**(4.8)**	
	MSCI EAFE Net			(7.3)	
	Asian Fund			**(4.9)**	
	MSCI Pacific Basin Net			(14.8)	
REAL ESTATE					$4,492,940,807
	Realpool	**8.7**	**11.0**	**7.4**	
	CPI + 4%	5.8	5.9	5.9	

Note: Private Placement fund performance is excluded as year-by-year performance returns can be misleading. To be assessed correctly, Private Placements' performance must be measured over the life of the fund.

Investment Management Corporation

Location: 3rd Floor, 2940 Jutland Road, Victoria, BC, V8T 5K6
Mailing Address: PO Box 9910, Stn Prov Govt, Victoria, BC, V8W 9R1

Financial Statements

March 31, 2002

Management's Responsibility for Financial Statements

Responsibility for the integrity and objectivity of the accompanying financial statements of the British Columbia Investment Management Corporation (the "Corporation") rests with management. The financial statements, which by necessity include some amounts that are based on management's best estimates and judgements, are prepared in accordance with Canadian generally accepted accounting principles. In management's opinion, the financial statements have been properly prepared within the framework of the accounting policies summarized in the financial statements and present fairly the Corporation's financial position and results of operations. The financial statements have been reviewed and approved by the Corporation's Board of Directors.

Systems of internal control and supporting procedures are maintained to provide reasonable assurance that transactions are authorized, assets are safeguarded and proper records maintained. The internal accounting control process includes management's communication to employees of policies that govern ethical business conduct.

These financial statements have been examined by the Corporation's independent auditor, the Auditor General of British Columbia, and his report is presented herein.

Doug Pearce
Chief Executive Officer
Chief Investment Officer

Neil Muth
Vice President,
Finance & Operations

Report of the Auditor General of British Columbia

To the Members of the Investment Management Board
of the British Columbia Investment Management Corporation, and

To the Minister of Finance,
Province of British Columbia:

I have audited the balance sheet of the *British Columbia Investment Management Corporation* as at March 31, 2002 and the statements of operations and changes in financial position for the year then ended. These financial statements are the responsibility of the corporation's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the *British Columbia Investment Management Corporation* as at March 31, 2002 and the results of its operations and the changes in its financial position for the year then ended in accordance with Canadian generally accepted accounting principles.

Wayne Strelioff

Victoria, British Columbia
May10, 2002

Wayne Strelioff, CA
Auditor General

Balance Sheet

As at March 31, 2002, with comparative figures for 2001

	2002	2001
ASSETS		
Current assets		
Cash and short-term investments (note 4)	$ 2,919,306	$ 5,921,305
Pooled investment portfolio direct costs receivable (note 5)	16,184,741	15,574,744
Fees and other accounts receivable	1,818,598	132,643
Prepaid expenses	96,123	28,983
	21,018,768	21,657,675
Deferred charges (note 6)	184,528	247,668
Capital assets (note 7)	760,509	508,774
	$21,963,805	$ 22,414,117
LIABILITIES AND EQUITY		
Current liabilities		
Pooled investment portfolio direct costs payable (note 5)	$16,173,583	$ 14,831,107
Other accounts payable and accrued liabilities	3,633,052	6,128,449
Deferred income	-	288,360
	19,806,635	21,247,916
Equity		
Share capital (note 1)	10	10
Contributed surplus (note 8)	290,085	290,085
General reserve (note 9)	1,116,000	380,766
Retained earnings	751,075	495,340
	2,157,170	1,166,201
	$21,963,805	$ 22,414,117

Commitments (note 11)

See accompanying notes to financial statements.

Approved on behalf of the Board:

Director

Director

Statement of Operations

For the year ended March 31, 2002, with comparative figures for 2001

	2002	2001
REVENUES		
Funds management fees	$13,980,100	$11,845,774
Recoveries of pooled investment portfolio direct costs	61,605,027	63,776,634
Other	238,015	284,146
Total Revenues	$75,823,142	$75,906,554
EXPENSES		
Pooled investment portfolio direct costs (note 5)	$61,605,027	$63,776,634
Salaries and benefits	9,322,077	7,801,347
Professional services	848,168	893,118
Systems operations	1,311,633	1,222,865
Insurance	288,865	243,020
Office and business	623,325	728,830
Rent	413,455	406,628
Other	257,627	114,161
	74,670,177	75,186,603
Amortization - deferred charges	63,140	57,694
Depreciation - capital assets	98,856	56,620
Total Expenses	$74,832,173	$75,300,917
NET INCOME	990,969	605,637
RETAINED EARNINGS – beginning of period	495,340	270,469
Transfer to general reserve	(735,234)	(380,766)
RETAINED EARNINGS – end of period	$ 751,075	$ 495,340

See accompanying notes to financial statements.

Statement of Changes in Financial Position

For the year ended March 31, 2002, with comparative figures for 2001

	2002	2001
CASH PROVIDED BY (USED FOR):		
Operating activities		
Income for the period	$ 990,969	$ 605,637
Items not involving cash		
Amortization - deferred charges	63,140	57,694
Depreciation - capital assets	98,856	56,620
Cash flows from operations	1,152,965	719,951
Changes in non-cash working capital		
Accounts receivable	(2,295,952)	(1,457,170)
Prepaid expenses	(67,140)	217,002
Accounts payable	(1,152,921)	5,034,690
Deferred income	(288,360)	276,271
	(2,651,408)	4,790,744
Investing activities		
Deferred charges	-	(108,922)
Capital assets	(350,591)	(447,265)
	(350,591)	(556,187)
INCREASE (DECREASE) FOR THE PERIOD	(3,001,999)	4,234,557
CASH & SHORT-TERM INVESTMENTS – beginning of period	5,921,305	1,686,748
CASH & SHORT-TERM INVESTMENTS – end of period	$ 2,919,306	$ 5,921,305

See accompanying notes to financial statements.

Notes to Financial Statements

Year ended March 31, 2002

1. Authority and Share Capital

The British Columbia Investment Management Corporation (the "Corporation") was established as a corporation under section 16 of the *Public Sector Pension Plans Act*, S.B.C. 1999 c44 (the "Act"). The capital of the Corporation is one share with a par value of $10. The share is issued and registered in the name of the Minister of Finance on behalf of the Province of British Columbia (the "Province").

2. Nature of Operations

The Corporation assumed responsibility for the fund management services previously provided by the Office of the Chief Investment Officer, a division of the Ministry of Finance and Corporate Relations, on January 1, 2000. The Corporation is responsible for managing the assets of various public sector pension funds, the Province, provincial government bodies (Crown corporations and institutions) and publicly administered trust funds.

The Corporation is exempt from federal and provincial income taxes.

3. Assets under Administration

The estimated market value of assets managed by the Corporation on behalf of various trust funds and its other clients is approximately $60 billion as of March 31, 2002 (2001: $60 billion).

These assets may be invested in segregated investments, or be aggregated in one or more of the pooled investment portfolios managed by the Corporation. The Corporation annually prepares separate audited financial statements for all pooled investment portfolios with more than one beneficial owner.

The financial statements of the pooled investment portfolios and segregated assets held in clients' accounts are not consolidated in the financial statements of the Corporation.

4. Significant Accounting Policies

The Corporation's financial statements are prepared in accordance with Canadian generally accepted accounting principles. The significant accounting policies used in the preparation of these financial statements are as follows:

Basis of presentation - The accrual basis of accounting is adopted.

Short-term investments - Short-term investments consist of units in the Corporation's Canadian Money Market Fund ST2 and the US Money Market Fund ST3. U.S. dollar investments are translated at the year-end foreign exchange rate. Investments are recorded at the lower of cost or market value.

Deferred charges - Deferred charges consist of organization costs incurred in establishing the Corporation and building lease fees. Organization costs are capitalized and amortized on a straight-line basis over five years. Building lease fees are capitalized and amortized on a straight-line basis over the initial lease term of five years.

Capital assets - Assets with a cost greater than $5,000 are recorded at cost less accumulated depreciation. Software development costs, including labour and material costs for design, construction, testing, implementation and other related costs, are capitalized for business systems expected to be of continuing benefit to the Corporation.

Depreciation is calculated on a straight-line basis over the estimated useful life, beginning in the quarter of acquisition, using the following rates:

Furniture, equipment	10 years
Mainframe, mini-computers, related software	5 years
Personal computer hardware, peripherals, related software	3 years

Post-employment benefits - The Corporation and its employees contribute to the Public Service Pension Plan (the "Plan") in accordance with the *Public Sector Pension Plans Act*, S.B.C. 1999 c44. The British Columbia Pension Corporation administers the Plan, including the payment of retirement and post-employment benefits (other than retiring allowance) on behalf of employers and employees to whom the Act applies. The Plan is a multi-employer defined benefit pension plan. Under joint trusteeship, which became effective January 1, 2001, the risk and reward associated with the Plan's

unfunded liability or surplus is shared between the employers and the plan members and will be reflected in their future contributions. The most recent actuarial valuation as of March 31, 1999 has determined that the Plan is in a surplus position.

The cost of employee benefits under the Plan is the amount of pension contributions in the year. The amount of pension contributions during the year was $423,440 (2001: $213,410).

Employees are also entitled to a retiring allowance, as provided for under their terms of employment. The Corporation annually estimates and accrues the future obligation for retiring allowances as employees render the services necessary to earn the benefit. As at March 31, 2002, the accrued liability for retiring allowances is recorded as $160,710 (2001: $85,700).

Revenues - Revenues are received from investment income (including realized gains and losses), from direct costs recovered from the pooled investment portfolios, from fees charged to pooled investment portfolios, and from fees charged to clients holding segregated investments.

Investment income is recorded on the accrual basis. Pooled investment portfolio direct cost recoveries are recorded on the accrual basis as the related costs are incurred. Fees are recorded to recover all cash outlays and accrued expenses, and any changes directed by the Board in the general reserve for future expenditures.

5. Pooled Investment Portfolio Direct Costs

In order to provide funds management services, the Corporation enters into contracts with third parties for investment management, custodial, legal and other services. Third party costs are charged to the specific pooled investment portfolio and are shown as an expense and an offsetting recovery in the Statement of Operations. The receivable balance reflects any amounts not yet recovered from the pooled investment portfolios and the payable balance reflects the amounts accrued and owing to third parties.

6. Deferred Charges

	Cost	Accumulated Amortization	2002 Net Book Value	2001 Net Book Value
Organization costs	$ 206,779	$ 93,050	$ 113,729	$ 155,084
Building lease fees	108,922	38,123	70,799	92,584
	$ 315,701	$ 131,173	$ 186,528	$ 247,668

7. Capital Assets

	Cost	Accumulated Depreciation	2002 Net Book Value	2001 Net Book Value
Furniture, equipment	$ 296,829	$ 48,533	$ 248,296	$ 251,798
Mainframe, mini-computers, related software	367,037	99,350	267,687	236,620
Personal computers, related software	17,211	7,593	9,618	16,106
Computer software under development	234,908	-	234,908	4,250
	$ 915,985	$ 155,476	$760,509	$ 508,774

8. Contributed Surplus

On January 1, 2000, at the commencement of operations, the Province transferred assets, consisting of furniture and computers, to the Corporation at net book value resulting in a contributed surplus of $290,085. Of this amount, $79,352 was capitalized in accordance with the Corporation's accounting policies for capital assets (note 4). The balance of $210,733 consisted of assets whose book value was each less than $5,000. This amount was recorded on the Statement of Operations under the heading "Writedown of contributed assets".

Year ended March 31, 2002

9. General Reserve

At the discretion of the Board, general reserves for future expenditures are appropriated from retained earnings.

	2002	2001
Reserve - beginning of period	$ 380,766	$ -
Transfer from retained earnings	735,234	380,766
Reserve - end of period	$ 1,116,000	$ 380,766

10. Related Party Transactions

The Corporation is related to all Province of British Columbia ministries, agencies and Crown corporations through common ownership. Transactions with these entities are considered to be in the normal course of operations.

11. Commitments

The Corporation has entered into a lease agreement for office space, having an original term extending over five years, commencing July 2000. The estimated rental for the remaining term of the lease is $1,393,800.

The Corporation has entered into a second lease agreement for additional office space, having an original term extending over four years, commencing June 2002. The estimated rental for the term of the lease is $287,580.

12. Financial Instruments

The Corporation's financial instruments consist of cash, short-term investments, accounts receivable and accounts payable. It is management's opinion that the Corporation is not exposed to significant risks arising from these financial instruments. The fair values of these financial instruments approximate their carrying values.

13. Measurement Uncertainty

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts on the Balance Sheet and Statement of Operations. The more subjective of such estimates are pooled investment portfolio direct costs, post-employment benefit accruals and employee incentive plan accruals. Management believes its estimates to be appropriate, however, actual results could differ from these estimates and these differences would be reflected in applicable future periods.

14. Comparative Figures

Certain comparative figures have been reclassified to conform to the current year's presentation.